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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

August 7, 2001

Magalie Roman Salas, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

CORRECTED REPLY COMMENTS

Re: CC Docket No. 01-138 – Application by Verizon for Authorization to Provide In-Region, InterLATA Services in Pennsylvania

Dear Ms. Salas:

Attached please find an original and six copies of our **corrected reply comments** in the above-captioned proceeding. Specifically, we have included the attachment to Vijetha Huffman's declaration, which was inadvertently omitted in the reply comments filed yesterday. Please call me with any questions, and we apologize for any inconvenience this may have caused.

Sincerely,

Lori Wright

Lori Wright
Associate Counsel

cc: ITS

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Application by Verizon	)	
for Authorization to Provide In-Region,	)	CC Docket No. 01-138
InterLATA Services in Pennsylvania	)	
	)	

REPLY COMMENTS OF WORLDCOM, INC. ON THE APPLICATION BY VERIZON FOR AUTHORIZATION TO PROVIDE IN-REGION, INTERLATA SERVICES IN PENNSYLVANIA

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August 6, 2001

INTRODUCTION AND EXECUTIVE SUMMARY

Verizon-Pennsylvania's ("Verizon's") systems are getting worse rather than better during this period of section 271 scrutiny, which bodes ill for local competition both now and in the future. Verizon should withdraw its section 271 application for Pennsylvania and focus its resources on resolving outstanding issues rather than spending the next six weeks trying to paper over deficiencies. Notwithstanding the deterioration of its service, Verizon still has a finite set of problems that can be resolved in relatively short order. It should resolve them and then refile this application.

Line Loss Notifications. A critical new issue has arisen in recent weeks that is having a significant negative impact on Pennsylvania consumers. Verizon's systems are failing to provide notification to CLECs of local customers that have chosen to switch from a CLEC to another local provider. This problem began in early June 2001 and affects many thousands of customers, including residential customers. The impact is severe, because when Verizon fails to send a line loss notification, a CLEC has no way of knowing that its customer has switched and will unavoidably continue to bill the customer, resulting in double bills for consumers. Worse, when concerned customers call the CLEC – their former provider – to dispute the bill, the CLEC has no indication that the customer has left and no way to determine that the bill was improper. Verizon admitted that this problem affects all CLECs, but failed to remedy the problem over a period of weeks. Although Verizon asserts in a conclusory manner that it has now rectified the problem, it provides little explanation of the root cause of the problem or the fix it has ostensibly put in place. Nor has it yet corrected the problem for the thousands of customers who have already been the victims of its faulty OSS. Undeniably, the defective line-loss notification process is a major problem for which there must be a complete remedy, root cause analysis, and sufficient testing of any fix prior to section 271 authorization. That problem is certainly too recent for section 271 authorization to be granted now.

Electronic Billing. Notwithstanding the serious concerns raised in initial comments, Verizon's electronic bills in July were still not adequate. Verizon still has never once satisfied the requirement that it submit to its wholesale customers accurate, auditable, monthly bills for services in the industry standard CABS-BOS format. In addition to ongoing problems and errors in WorldCom's multi-million dollar UNE-P bill, there are other severe problems, including bills that Verizon fails to deliver entirely. As the Department of Justice emphasized in its Evaluation, Verizon's electronic billing problems must be resolved prior to section 271 authorization. With Verizon's failure to provide adequate July bills there is no way that it could demonstrate even two clean months of electronic billing prior to the statutory deadline for this application. Verizon should withdraw this application now and not refile until it has shown over a period of at least two months that it can provide adequate bills to CLECs.

Performance Metrics and Remedies. DOJ also raised serious concerns about the inadequacy and structural defects of the current performance metrics and remedies, mirroring criticisms raised by the Pennsylvania Public Utility Commission ("PUC"), which has ordered Verizon to replace the existing plan with a new plan. But there has been almost no progress towards resolving this problem. While the PUC ordered that the New York metrics be substituted for the current metrics, no significant movement has been made toward doing so. Even in the area of electronic billing, where Verizon has had such serious ongoing problems, it has failed to implement adequate metrics. It has put in place only two of the five required, and does not intend to report on even those two until late August, shortly before this application must be resolved. Moreover, the PUC established a rebuttable presumption that the New York remedies should be applied in Pennsylvania. But rather than agreeing to adopt New York remedies, Verizon has filed its own entirely separate remedy proposals – without explaining why New York remedies are not adequate. Worse still, Verizon still has not abandoned its position that the PUC has no authority to impose *any* penalty plan. The result is a plan that does not work today, and a regulatory environment that provides no assurance whatsoever regarding backsliding in the future.

Cost-Based Pricing. No progress been made toward adopting UNE rates that comply with the FCC's TELRIC requirements. All of the concerns raised in WorldCom's initial comments still apply to these UNE rates, which are based on Verizon's embedded network, rather than a forward-looking model, as required by TELRIC. The result is that Verizon's high UNE rates limit the development of ubiquitous local residential competition throughout the state, depriving Pennsylvania consumers of all the benefits of competition.

Resale of DSL. WorldCom concurs with AT&T that Verizon has not met its obligations under Sections 251 and 271 to provide carriers with the ability to resell its DSL services. The restrictions on resale of DSL that Verizon has imposed are both unreasonable and discriminatory.

Other Issues. Nor has Verizon resolved the other issues that were set forth in WorldCom's initial comments, including various other OSS deficiencies, an anti-competitive "local freeze" of residential customers, and unlawful restrictions on where WorldCom can interconnect with Verizon's network. These remaining issues could have and should have been resolved prior to filing this application. Future promises and last minute fixes are not a sufficient basis for granting this application. The Commission instead should insist that Verizon complete the short list of tasks necessary for robust, long-term competition to develop in Pennsylvania and thereby satisfy section 271 prior to interLATA entry.

TABLE OF CONTENTS

TABLE OF APPENDICES

Tab	Declarant	Subject
A	Reply Declaration of Sherry Lichtenberg	Operations Support Systems
B	Reply Declaration of Vijetha Huffman	Pricing

TABLE OF CITATION FORMS

FCC Orders	
Texas Order	In re Application by SBC Communications Inc., Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance Pursuant to Section 271 of the Telecommunications Act of 1996 To Provide In-Region, InterLATA Services in Texas, CC Docket No. 00-65, Memorandum Opinion and Order, 15 F.C.C.R. 18354 (2000).
Declarations and Affidavits	
Kinard Decl.	Declaration of Karen A. Kinard on Behalf of WorldCom (WorldCom Comments Tab B).
Lichtenberg Reply Decl.	Reply Declaration of Sherry Lichtenberg on Behalf of WorldCom (Tab A hereto).
Huffman Reply Decl.	Reply Declaration of Vijetha Huffman on Behalf of WorldCom (Tab B hereto).
Other Record Materials	
Geller Test.	Consultative Report on Application of Verizon Pennsylvania, Inc. for FCC Authorization to Provide In-Region InterLATA Service in Pennsylvania, Docket No. M-00001435, En Banc 271 Hearing, Geller Test. (Pa. PUC April 25, 2001) (VZ-PA App. B, Tab C, Sub-Tab 26).
PUC Report	In re Application by Verizon Pennsylvania, Inc. et al. for Authorization Under Section 271 of the Communications Act to Provide In-Region InterLATA Services in the Commonwealth of Pennsylvania, CC Docket No. 01-138, Consultative Report of the Pennsylvania Public Utility Commission (FCC June 25, 2001).

June 6, 2001 Public Meeting, Statement of Comm'r Brownell	Consultative Report on Application of Verizon Pennsylvania, Inc. for FCC Authorization to Provide In-Region InterLATA Service in Pennsylvania, Docket No. M-00001435, Public Meeting, Statement of Comm'r Brownell (Pa. PUC June 6, 2001).
June 6, 2001 Public Meeting, Statement of Comm'r Fitzpatrick	Consultative Report on Application of Verizon Pennsylvania, Inc. for FCC Authorization to Provide In-Region InterLATA Service in Pennsylvania, Docket No. M-00001435, Public Meeting, Statement of Comm'r Fitzpatrick (Pa. PUC June 6, 2001).

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of Application by Verizon for Authorization to Provide In-Region, InterLATA Services in Pennsylvania	))))))	CC Docket No. 01-138

REPLY COMMENTS OF WORLDCOM, INC. ON THE APPLICATION BY VERIZON FOR AUTHORIZATION TO PROVIDE IN-REGION, INTERLATA SERVICES IN PENNSYLVANIA

Verizon has not resolved the discrete but troubling problems that have been identified by many commenters, including in particular the United States Department of Justice. Indeed, since its application was filed, a substantial new problem has developed: Verizon's failure to transmit line loss notifications for many thousands of customers. Verizon should withdraw its application to focus on resolving its outstanding issues, as it is now clear that it cannot make the showing necessary for this Commission to grant section 271 authorization within the current review period. Verizon's progress in opening Pennsylvania's local telecommunications markets to competition has been tied directly to the section 271 process. It is therefore vital that Verizon eliminate the remaining impediments to competition before, and not after, Verizon enters Pennsylvania's long-distance market.

I. VERIZON HAS NOT PROVIDED LINE LOSS NOTIFICATIONS.

A critical new issue has arisen in recent weeks that is causing substantial harm to Pennsylvania consumers. Verizon's systems are failing to provide notification to CLECs of local customers that have chosen to switch from the CLECs to another local provider ("line loss notifications"). Verizon has admitted its failure to transmit line loss notifications in June and July, almost certainly affecting many thousands of residential customers. Lichtenberg Reply Decl. ¶¶ 9-10. For WorldCom alone, the problem appears to be affecting approximately eight thousand customers per month, and Verizon has acknowledged that the problem affects not just WorldCom but all CLECs. Id. ¶ 6.

The impact is enormous, because when Verizon fails to send a line loss notification, a CLEC has no way of knowing that its customer has switched to another provider and thus will unavoidably continue to bill the customer, resulting in double billing of consumers. Id. ¶ 3. Worse, when concerned customers call the CLEC – their former provider – to dispute the bill, the CLEC has no indication that the customer has left and no way to determine that the bill was improper. Id. ¶14. As a result, customers will be double billed, CLECs will be unable to resolve the problem, and the damage to the CLEC's reputation will be severe. Id. ¶¶ 15-16.

Verizon's failure to provide line loss notifications is also deeply discriminatory: While a CLEC has no way of knowing that its customer has switched to another provider without receiving a line loss notification, Verizon knows instantly when one of its customers has left because Verizon performs the migration. Both non-discrimination and competitive necessity therefore require ILECs to provide CLECs with line loss notifications, just as they require ILECs to provide firm order confirmations, reject notices or completion notices. That is why it is standard industry practice for ILECs to provide such notifications to CLECs, id. ¶ 5, and why the

FCC has recognized that "failure to provide loss notification reports may impact customers and impede a competitive carrier's ability to compete." TX Order ¶193. [1]

In the past, Verizon has managed to paper over significant OSS problems while a 271 application was pending only to have those problems explode after an application was granted. Id. ¶12. Here, the line loss problem has already exploded. Verizon has acknowledged that it failed to meet its obligation to provide line loss notifications in June and July. And, as far as WorldCom is aware, Verizon's failure continues today. While Verizon sent WorldCom a note on August 3 stating that it had "issued new Methods and Procedures to all appropriate representatives to correct this situation going forward," Verizon did not explain these methods and procedures to WorldCom or how these new methods would correct the existing problem, which Verizon identified as related to a Line Loss Code Release on June 1. Certainly, there has not yet been sufficient time to determine whether any fix has been successful. Lichtenberg Reply Decl. ¶ 11. For a problem of this magnitude, Verizon's actions are clearly insufficient. Verizon must provide a thorough root cause analysis, explanation of the fix it has implemented, and sufficient time to evaluate whether that fix is working. In addition it is critical that metrics be developed and implemented that will ensure that a similar problem in the future will not go unmeasured and without a remedy.

Moreover, Verizon must show that it has resolved the problem for the thousands of customers whom the system has already failed. Many of these customers have almost certainly been double billed and the number will grow every day as CLECs send out additional bills. The

[1] In contrast to Texas, where it was unclear whether SWBT or AT&T was to blame for failures with respect to loss notification reports that affected fewer than 100 customers, there is no doubt that Verizon is to blame for failures that have already impacted many thousands of customers.

effort CLECs will have to expend in crediting their former customers will also increase as time passes. Id. ¶¶13-16. Yet Verizon has stated that it will not provide CLECs data on the customers who have been erroneously omitted from the line loss reports until at least August 19. Id. ¶13. This is far too late and is evidence of Verizon's continuing dismissive attitude toward CLEC problems. And as of today, there is no way to know whether Verizon will meet the August 19 date or whether the data Verizon provides on that date will be adequate.

The line loss problem is "one of the most significant OSS problems that WorldCom has seen in years." Id. ¶ 2. Verizon should withdraw its application and reapply when it can demonstrate for certain that the problem has been fixed.

II. VERIZON'S ELECTRONIC BILLS REMAIN UNACCEPTABLE.

Notwithstanding the serious concerns raised in initial comments and the manual process Verizon temporarily has in place to help ensure that its electronic bills match its paper bills, Verizon's electronic bills in July were still not adequate. Verizon still has never once satisfied the requirement that it submit to its wholesale customers accurate, auditable, monthly bills for services in the industry standard CABS-BOS format.

The July bills continued the same pattern of failures that beset prior bills. Verizon failed to deliver one bill to WorldCom entirely, Lichtenberg Reply Decl. ¶ 28, delivered another bill with formatting problems that prevented the bill from loading in WorldCom's systems, id. ¶ 21, and delivered a third bill, WorldCom's multi-million dollar UNE-P bill, with significant errors, id. ¶26. The errors on the July UNE-P bill were apparent despite the fact that even that bill could not be completely audited, and thus may well contain other significant errors of which WorldCom remains unaware. Id. ¶¶ 23-25.

As the Department of Justice emphasized in its Evaluation, Verizon's electronic billing problems must be resolved prior to section 271 authorization. Now that Verizon has failed to provide adequate July bills there is no way that it could demonstrate even two clean months of electronic billing prior to the statutory deadline for this application – even if that deadline rather than the filing deadline were the relevant date and the complete-when-filed rule were ignored. As Verizon's own billing expert testified, no conclusive judgments about the adequacy of the billing systems can be made until the completion of several billing cycles after the problems have been resolved. (Geller testimony, April 25, 2001 en banc 271 hearing, Tr. at 134, 146 (VZ-PA App. B, Tab C, Sub-Tab 26).) This was also a critical point for the two Pennsylvania commissioners who dissented from the recommendation to support section 271 authorization, noting that "Verizon must . . . successfully complete at least two billing cycles" before section 271 authorization is warranted. June 6, 2001 Public Meeting, Statement of Comm'r Brownell at 1. See also June 6, 2001 Public Meeting, Statement of Comm'r Fitzpatrick at 1. Verizon should withdraw this application and refile once it has adequately resolved this problem.

III. PENNSYLVANIA'S PERFORMANCE METRICS AND REMEDIES ARE STILL NOT SUFFICIENT.

DOJ also raised serious concerns about the inadequacy and structural defects of the current performance metrics and remedies in its Evaluation, which comes on top of the Pennsylvania Public Utility Commission's ("PUC") acknowledgement of problems that merit replacing the existing plan with a new plan. But there has been almost no progress, much less adequate resolution of this problem.

While the PUC ordered that the New York metrics be substituted for the current metrics, this has not yet occurred. Verizon should not be allowed to rely on promises of such future improvements in making a claim that it is currently subject to a working PAP that will deter anticompetitive behavior, especially when there is no reason for Verizon not to have begun reporting critical issues under the New York metrics. Indeed, when it suits its purposes Verizon already reports on its Pennsylvania performance based on New York metrics, but it simply has declined to do so for any of the problem areas discussed by WorldCom. Kinard Decl. ¶ 21.

The parties cannot rely upon Verizon's future promises regarding its implementation of the New York metrics given Verizon's past conduct in this area. Verizon has had numerous problems implementing new metrics. It took Verizon over a year to implement many of the metrics ordered by the Pennsylvania PUC in 1999. Verizon reported many metrics as "UD" (Under Development) or "UR" (Under Review) whenever it did not want to report a certain metric, under the excuse that modifying its systems was more difficult than it anticipated. There is nothing to stop Verizon from taking over a year to implement the new metrics in Pennsylvania, metrics that for the first time will begin capturing problems that even Verizon acknowledges occur.

For example, Verizon has had serious ongoing problems in the area of electronic billing, as discussed above, causing the Pennsylvania PUC to apply the paper billing metrics to electronic bills, as well as increase the remedies for violation of those metrics. (PUC Report at 103.) But Verizon has failed to adequately implement these electronic billing metrics and has put in place only two of the five necessary metrics. Letter of July 18, 2001 from Verizon to PUC (attached to July 20 ex parte in this proceeding [on VZ website]). Moreover, Verizon does not intend to provide the first report on even those two metrics until late August, shortly before this Commission must act on this application. Id.

Given all of the problems that Verizon has had with metrics change control – including the ability to properly report on metrics – this Commission should not assume that Verizon will report on the electronic billing metrics in an accurate manner. The parties need an opportunity to review Verizon's reports and should not rely on promises regarding those reports. Indeed, as a general matter, this Commission should not take away Verizon's incentive to cooperate and implement essential new metrics on a timely basis until Verizon demonstrates that it can actually report on those metrics that are necessary to ensure that CLECs' problems are being captured. This is particularly true since it has only been the section 271 carrot that has given Verizon the incentive to begin fixing the numerous problems that have existed with its systems in Pennsylvania.

Moreover, the Commission should not grant section 271 authority until Verizon has agreed to an acceptable remedy plan. The PUC established a rebuttable presumption that the New York remedies should be applied in Pennsylvania. But rather than agreeing to adopt New York remedies, Verizon has filed its own entirely separate remedy proposals – without explaining why New York remedies are not adequate, or even attempting to rebut the presumption that Pennsylvania has put into place. Although it is accepting the New York remedies in many of its other states, Verizon continues to vigorously oppose the importation of the New York remedy plan into Pennsylvania and instead has proposed a plan in the ongoing state performance standards case that would be one of the weakest performance plans in the country. As a result, Verizon cannot rely on the New York remedies for purposes of this application.

To make matters worse, while it has formally opposed the New York remedial plan at the Pennsylvania Commission, Verizon continues to maintain its legal position that Pennsylvania has no right to impose any remedies on its misconduct. Kinard Decl. ¶¶ 33-34. Thus there is a very real prospect that Pennsylvania will adopt the New York plan and Verizon will simply refuse to acknowledge that it is bound by that ruling. Formally and finally abandoning its claim that it not subject to PUC Orders regarding the remedial plan should be an absolute prerequisite to section 271 authorization.

As noted in our initial comments, the record demonstrates that the current plan is inadequate. Pennsylvania's PAP has been fully operative for a year but has not led Verizon to resolve the substantive issues discussed in these comments, which are being addressed, if at all, only because of the section 271 process. The lesson is clear – section 271 entry creates an incentive for Verizon to address these problems, but Pennsylvania's PAP does not. Thus, it is absolutely critical to get an adequate PAP in place prior to section 271 authorization, and neither of the agencies that have studied it –the DOJ and the PUC – thinks the current PAP is adequate.

IV. VERIZON STILL HAS NOT MET ITS BURDEN OF PROVING THAT IT HAS SATISFIED CHECKLIST PRICING REQUIREMENTS.

No progress has been made towards adopting UNE rates that comply with the FCC's TELRIC requirements. All of the concerns raised in WorldCom's initial comments still apply to these UNE rates, which are based on Verizon's embedded network, rather than a forward-looking model, as required by TELRIC.

The Pennsylvania PUC has not performed a TELRIC analysis to date, and Verizon has not shown that its rates are TELRIC based. To the contrary, as discussed in our initial comments, a federal court found, and all parties have acknowledged, that current rates are not based on a TELRIC cost-study, so the Commission should give no deference to the state PUC's determination that the Pennsylvania UNE rates are reasonable TELRIC-based rates. Indeed, Verizon's non-TELRIC UNE rates are too high to permit ubiquitous local residential competition throughout the state, depriving Pennsylvania consumers of all the benefits of competition. See Huffman Reply Decl. & attachment. The Commission should reject Verizon's 271 application until it has corrected its UNE rates to reflect TELRIC.

A correction of the UNE rates to TELRIC levels now appears even further off, however. On April 11, 2001, the Pennsylvania PUC entered an order in the structural separation case requiring a new UNE cost proceeding to be commenced. The cost proceeding was to be completed, and an ALJ report and recommendation issued, by December 31, 2001. As part of the structural separation order, Verizon had to agree to all terms of the PUC's order, including the timing for the new cost proceeding. Verizon agreed to the terms at the time but has now reneged on its agreement.

Because the PUC has not yet issued a schedule in the new cost case, WorldCom filed a motion on July 19 requesting that the PUC enforce its structural separation order and set a schedule. On July 30, Verizon responded, opposing the establishment of a cost case and stating that the PUC "should modify its thinking on the timing of its UNE proceeding." Directly contrary to its prior agreement to have a cost case heard by the end of the year, Verizon argued that a new UNE proceeding need not commence until the end of 2002 at the earliest. This continues Verizon's history of broken promises. If the 271 carrot is removed, this history is likely to continue or even worsen. Section 271 remains a necessary incentive to ensure that Verizon eliminates remaining barriers to entry, including high UNE rates.

V. VERIZON REFUSES TO RESELL DSL SERVICE WITHOUT VOICE SERVICE.

WorldCom concurs with AT&T's comments that Verizon has not met its obligations to provide carriers with the ability to resell its DSL services.[2] Verizon does not offer carriers the ability to purchase a telecommunications service that it and/or its affiliate provides to end users, which is a violation of Section 251(c)(4) of the Act. Verizon commits to provide carriers with the ability to resell *both* Verizon's voice and data service. However, Verizon does not offer carriers the ability to resell just the DSL service—a service that it or its affiliate sells directly to end-users. Just because Verizon chooses to package its voice and data service together does not permit it to escape its resale obligations under Sections 251 and 271. As the Commission acknowledged in its Connecticut Order, VADI, Verizon's affiliate, currently offers DSL services to retail customers, and such services are eligible for resale under section 251(c)(4).[3] Under the plain language of Section 251, Verizon must offer carriers the ability to resell its DSL service separate from its voice service.

Section 251(c)(4)(B) prohibits ILECs from "impos[ing] unreasonable or discriminatory conditions or limitations on resale of telecommunications services." Verizon's refusal to allow UNE-P providers to resell Verizon's DSL service over the same line is both unreasonable and discriminatory. Verizon's only legitimate basis for imposing such a restriction is to suppress competition. As AT&T demonstrated in its comments, from an economic standpoint, Verizon should welcome such an opportunity to resell DSL service to CLECs using UNE-P.[4] In addition,

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[2] AT&T Comments, dated July 11, 2001, at pp. 31-44; AT&T Ex Parte, dated July 10, 2001.

[3] Memorandum Opinion and Order, CC Docket No. 01-100, dated July 20, 2001.

[4] AT&T Comments, at pp. 36-37.

by refusing to make DSL available for resale separate from its voice service, Verizon is severely hindering the ability of carriers such as WorldCom to compete.

CONCLUSION

Verizon's Pennsylvania application should be denied.

Respectfully submitted,

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August 6, 2001

CERTIFICATE OF SERVICE

I, Vivian Lee, do hereby certify that copies of the foregoing Reply Comments of WorldCom were sent via first-class mail, postage paid, or hand delivered, as indicated, in the following on this 6th day of August, 2001.

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Vivian Lee

TAB A

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of Application by Verizon for Authorization to Provide In-Region, InterLATA Services in Pennsylvania	)	CC Docket No. 01-138

REPLY DECLARATION
OF SHERRY LICHTENBERG
ON BEHALF OF WORLDCOM, INC.

Based on personal knowledge and on information learned in the course of my duties, I, Sherry Lichtenberg, declare as follows:

1. My name is Sherry Lichtenberg. I am the same Sherry Lichtenberg who previously filed a declaration in this proceeding.

INTRODUCTION AND OVERVIEW

2. The purposes of this declaration is to update my discussion of the readiness of Verizon's OSS. In particular, I will discuss a new OSS problem that has arisen that is one of the most significant OSS problems that WorldCom has seen in years. I will also explain that Verizon has failed to correct the critical defects that plague its billing systems. As the Department of Justice properly concluded, Verizon has not yet shown that its billing systems are adequate to provide CLECs a meaningful opportunity to compete.

I. VERIZON HAS STOPPED TRANSMITTING ACCURATE LINE LOSS NOTIFICATIONS.

3. Since the time of my prior declaration, a major new problem with Verizon's OSS has come to light: Verizon is no longer transmitting line loss notifications for most WorldCom customers. A line loss report informs a CLEC when one of its customers has migrated back to Verizon or to another CLEC.[1] Until the original CLEC receives the line loss report, it does not know to stop billing the customer. Without timely line loss notification, therefore, the customer will be double billed. Thus, as the FCC has recognized, "failure to provide loss notification reports may impact customers and impede a competitive carrier's ability to compete." TX Order ¶ 193.

4. In the past two months, Verizon has failed to transmit line loss notifications on many thousands of WorldCom lines. As a result thousands of customers will almost certainly have been inadvertently double billed by WorldCom and the customer's new carrier (often Verizon). The impact of this problem is enormous -- resulting in overpayment by customers and vast expenditure of resources by CLECs attempting to respond to customer concerns. Yet Verizon has not been particularly helpful in responding to this problem.

5. Verizon transmits line loss reports to WorldCom once a day on weekdays, as do all of the other ILECs with which WorldCom does business. Until June 2001, Verizon appeared to be transmitting complete line loss reports. In June, however, Verizon's line loss process began malfunctioning.

6. Prior to June, Verizon had been transmitting approximately ten to eleven thousand line loss notifications to WorldCom per month in Pennsylvania (11,589 line

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1 The ILEC transmits line loss reports both when CLEC customers migrate to the ILEC and when they migrate to another CLEC. If the second CLEC is facilities-based that CLEC transmits a Local Number Portability order to the ILEC and this should trigger a loss notification to the original CLEC.

loss notifications in March 2001, 10,023 in April, and 11,225 in May). In June 2001, however, Verizon only transmitted 2,753 line loss notifications to WorldCom. Then in the first two weeks of July (through July 13), Verizon transmitted only 980 line loss notifications. This substantial decrease suggested to WorldCom that Verizon was no longer transmitting line loss notifications on every customer that left WorldCom for another carrier. Indeed, assuming that customers were leaving WorldCom at a relatively constant rate, it appeared that Verizon had failed to transmit over 12,000 line loss reports between the beginning of June and July 13.

7. On July 18, WorldCom sent an e-mail to Verizon describing the decrease in the number of line loss notifications and asking if there was a problem with Verizon's line loss process. Verizon responded by discussing a problem with line loss reports it had experienced for several days in the Verizon North region. Verizon did not discuss the problem in Pennsylvania, which is in the Verizon South region. WorldCom replied on the same day (July 18) and reiterated its discussion of the problem in Pennsylvania. WorldCom also opened trouble ticket 338883 regarding the line loss issue.

8. Despite the potential magnitude of the problem, Verizon did not identify the problem itself. And after WorldCom identified the problem, for a week Verizon's only response was to say the problem was being investigated. Verizon did not provide information on when the problem started, the root cause of the problem, the volume of the problem or when the problem would be fixed. Finally, on July 25, 2001, Verizon informed WorldCom that it would send an industry notification of the line loss problem the next day. Verizon did not do so, however, and still has not done so. This is a significant problem in and of itself, because it means that many CLECs may still be unaware that the line loss reports they are receiving are not complete. Moreover, Verizon's failure to send the industry notice, like its failure to identify the problem to begin with, is evidence of a continuing cavalier attitude towards CLECs by Verizon.

9. On July 27, Verizon explicitly acknowledged to WorldCom that many of the customers that were migrating away from WorldCom were not appearing on the line loss reports. Moreover, Verizon stated that this problem had been affecting all CLECs. Verizon stated that the line loss problem had been fixed, however. But this was not in fact true.

10. On July 31, Verizon called with another update. Verizon stated that the line loss problem began on June 18 and that the problem would be fixed by the time the line loss report was transmitted on August 1. Verizon explained that new methods and procedures for working the line loss reports had been distributed within Verizon. Later, after WorldCom explained to Verizon that the number of loss notifications Verizon was transmitting had declined well before June 18, Verizon called back and acknowledged that the problem began on June 2, 2001. Verizon also stated that the line loss problem was caused by a manual error in writing the orders. Then, on August 3, Verizon sent a note with a somewhat different explanation. Verizon said that "[i]nvestigation by Verizon uncovered a process issue that was tied to a Line Loss code release 6/01/01. This process problem caused the Line Loss program to miss some accounts that should have been included in the Line Loss report. Verizon has issued new Methods and Procedures to all appropriate representatives to correct this situation going forward."

11. It is too early to know whether Verizon has fixed the line loss problem, much less whether any ostensible fix is permanent (as opposed to a fix designed merely to patch things over until the conclusion of the section 271 process). Verizon's description of the problem and solution provides WorldCom with little confidence that the solution will work. It is entirely unclear how new "Methods and Procedures" for Verizon representatives will correct a problem Verizon has now connected to a software release. Nor has Verizon even described what the software problem was or why Verizon initially believed the problem was connected to a manual error.

12. A second reason to be skeptical of Verizon's purported August 1 fix is Verizon's past history of promised fixes for OSS problems. As I discussed in my prior declaration and as I discuss further below, Verizon repeatedly promised to provide accurate electronic bills but then failed to deliver. Moreover, as this Commission is well aware, during the state 271 proceedings in New York, WorldCom identified a significant problem with missing notifiers (acknowledgments, firm order confirmations, completion notices). Verizon (Bell Atlantic) indicated that the problem was extremely limited and would be fixed. After Verizon received section 271 authorization, however, the problem with missing notifiers exploded, harming tens of thousands of customers, and requiring intervention by this Commission. In Pennsylvania, tens of thousands of customers have already been harmed by the loss notification problem. Approving Verizon's section 271 application before it is certain that this problem has been resolved and missing notifications restored would reward exactly the wrong behavior.

13. Even if it were clear that Verizon began transmitting accurate line loss reports on August 1 on a going-forward basis, a serious problem would remain with respect to the tens of thousands of customers who migrated away from CLECs between June 2 and August 3. Many of these customers have already been double billed or will be double billed shortly. In its August 3 note, despite prior protestation from WorldCom, Verizon indicated that the earliest it could address this problem would be the weekend of August 18 and 19 when it would attempt to recover the lost data and provide WorldCom with a list of the customers who left WorldCom in the June/July time period. But this is far too late. The longer that Verizon takes to provide the list of customers, the more customers will be double billed.

14. Some customers who are double billed will pay both bills and thus overpay. Other customers will call WorldCom to complain. When customers call in to complain that they have been billed improperly, it is difficult for WorldCom to respond. Because WorldCom has not received the loss notifications from Verizon, these customers

still appear in WorldCom's records as WorldCom customers. Thus, as far as WorldCom knows, the customers have been properly billed. It takes significant time and effort for WorldCom service representatives to sort through this problem with each customer.

15. The impact on WorldCom of the many thousands of customers who have been double billed extends far beyond the time spent responding to customer service calls. WorldCom's reputation will also suffer as these thousands of customers blame WorldCom for billing errors and as they complain to their friends and neighbors about these problems. Moreover, these customers may also complain to the Pennsylvania Public Utility Commission about double billing or even sue WorldCom based on improper billing. Indeed, several plaintiffs previously filed suit in California based on purported billing after disconnect and are attempting to have their claims certified as a nationwide class action.

16. Finally, WorldCom will have to expend significant resources correcting billing problems once Verizon finally transmits accurate information on customers who were lost in the June/July time period. WorldCom will have to determine which customers have been double billed and credit these customers. The longer Verizon takes to provide the information the more time consuming and expensive it will be to correct the problem.

17. The loss notification problem will therefore have a major impact even if Verizon has now successfully fixed the problem. The impact will be far greater if that asserted fix was not successful. As of now, there is simply no basis to conclude that Verizon has been successful.

18. It is also important to note that, as with other performance problems I have discussed, such as Verizon's failure to transmit accurate, auditable electronic bills, Verizon has no metric to capture the performance problems it is experiencing with its line loss reports. Indeed, there are no metrics with respect to line loss reports at all.

II. VERIZON HAS NOT RESOLVED ITS BILLING PROBLEMS.

19. In addition to the problem with line loss notifications, Verizon's wholesale bills have been beset with problems, as I explained in my prior declaration. For years, Verizon failed to transmit wholesale bills electronically. And after Verizon finally proclaimed its ability to transmit electronic bills in January 2000, the problems with those bills forced Verizon to inform CLECs that it would again transmit only paper bills. In October 2000, Verizon for a second time proclaimed its ability to transmit electronic bills. But month after month, the electronic bills Verizon transmitted were essentially worthless, containing extensive formatting errors that rendered them inauditable. Verizon also transmitted these bills late and continued to transmit some bills only in paper. In contrast, in other states, including New York, WorldCom received auditable electronic bills from the time it initially entered the local residential market.

20. I also noted in my prior declaration that Verizon finally transmitted a partially auditable electronic bill for UNE-P in May 2001. But as I explained then, Verizon's attempt to rely on a single month's partially auditable bill and ongoing changes to its billing process to show its readiness was premature especially when judged against years of failure. The foolishness of relying on a single month's bill was further driven home by the fact that Verizon's June UNE-P bill again contained formatting errors that prevented the bill from loading in WorldCom's systems.

21. Verizon itself had previously acknowledged that it needed several billing cycles to demonstrate the readiness of its bills. But Verizon did not wait several billing cycles to apply for section 271 authority, and even if the bills Verizon transmitted since CLECs filed their initial comments are considered, Verizon has not shown its billing systems are ready. Verizon transmits a number of bills to WorldCom each month in addition to the UNE-P bill -- bills for facilities, loops, etc. While the UNE-P bill Verizon transmitted to WorldCom in July loaded properly, (as in May but not June) WorldCom had to open a trouble ticket on July 17 (trouble ticket 336894) for a different bill

transmitted by Verizon. That bill, which had an invoice date of July 1, 2001, had a blank Facility Charge Type Indicator that prevented the bill from loading into WorldCom's systems. Verizon simply has not yet demonstrated a consistent ability to transmit properly formatted electronic bills.

22. In contrast, WorldCom rarely receives bills that cannot be loaded from other LECs and, if it does receive such bills, the LECs retransmit them with proper formatting. Verizon will not even retransmit the bills after learning of the problem. Verizon has not retransmitted the improperly formatted June UNE-P bill, for example, even though WorldCom opened a trouble ticket on that bill. On some bills, such as the June UNE-P bill, the result is that WorldCom must make manual corrections (enter dummy data) so that the bill can load. WorldCom was eventually able to load and partially audit the June UNE-P bill. For other bills, such as the March and April UNE-P bills, the result is that WorldCom has never been able to audit the bills at all.

23. In addition, when WorldCom for the first time received a properly formatted UNE-P bill in May, it discovered a number of problems of which it had previously been unaware. It discovered that although the bill was properly formatted, the bill still could not be fully audited because far too many customer accounts were on a single bill (too many accounts were associated with one Billing Account Number ("BAN")). WorldCom uses a typical spreadsheet program to audit the bills, but some sections of the bill contained too much data for the program. Several sections of the bill contain more than 200,000 lines of data; yet WorldCom can only see the first 65,000 lines of any one of these sections. WorldCom cannot see two thirds of the data in the section. Thus, for example, if the bill says there is a $400,000 credit based on credits associated with various ANIs, WorldCom cannot even evaluate the ANI level data to determine whether the credits add up to $400,000. This problem will only grow worse as the number of WorldCom UNE-P customers increases.

24. This is the kind of problem that WorldCom would expect Verizon to readily resolve. Indeed, WorldCom's interconnection agreement requires Verizon to split bills among billing account numbers if the bills get too large. Nonetheless, although WorldCom has raised the issue with Verizon in three account team meetings beginning in May, Verizon has yet to resolve the issue. Both the June and July UNE-P bill still have this problem. Indeed, Verizon has not yet even promised to resolve the problem. At a July 19 meeting Verizon indicated that it would look into the issue but stated there may be "provisioning problems" in attempting to divide WorldCom's UNE-P bill into multiple BANs.

25. Thus, WorldCom still has not been able to fully audit even a single UNE-P bill. There may well be significant problems with the UNE-P bills of which WorldCom remains unaware. It is simply too soon to proclaim Verizon's bills to be acceptable.

26. This is especially so because the portions of the UNE-P bills that WorldCom has been able to audit have had significant inaccuracies. In my prior declaration, I explained that the May UNE-P bill included improper charges for taxes and improper late fees. WorldCom owed no taxes or late fees. These problems have continued on subsequent bills. The June UNE-P bill contained erroneous charges for taxes and late fees and the July bill contained erroneous charges for taxes. These are not minor errors. The June UNE-P bill included charges of more than $167,000 in taxes and late fees, for example. Nor is this a new problem. In fact, KPMG found a problem with billing of taxes during its third party test, but Verizon claimed the problem was fixed. Then Curry Communications, a small CLEC in Pennsylvania, testified at the April 25, 2001 state 271 hearing that it had numerous problems with incorrect taxes on its bills. Now WorldCom has determined that it has such problems as well. Yet as with other billing problems, Verizon has proven unable – or unwilling -- to quickly address the issue.

27. The May, June and July UNE-P bills also all contain incorrect charges for switch ports. Pursuant to the Pennsylvania PUC's Global Order, Verizon was supposed to tariff two port charges. But Verizon only tariffed the higher charge. Lichtenberg Decl. ¶ 55. Although Verizon eventually agreed to enable CLECs to order the lower priced switch port, it has broken multiple promises that it would enable CLECs to do so. Id. ¶¶ 55-56. Indeed, Verizon did not even tariff the lower priced switch port option until recently and still has not provided CLECs a means to order the lower priced switch ports electronically. Instead, at least for WorldCom, Verizon agreed to credit WorldCom the difference between the higher and lower priced switch port on every port it orders. Thus, the bills would show $2.67 per port (per month) and the next month's bills would show a credit of $.77 for each port ordered. Yet WorldCom is unable to audit this portion of the bills because the number of ports ordered exceeds the number that can fit into the program used for auditing. In prior months, WorldCom could not audit the bills at all and thus had to independently calculate the credits that were owed. This has led to a significant expenditure of resources simply in order to determine the credits that are owed. At the end of May, WorldCom filed a claim for $762,000 in port charge credits. Verizon has not yet agreed that this claim is correct, instead suggesting that it is overstated. Without a fully auditable bill, the dispute is likely to continue. Moreover, had Verizon merely complied with what it was ordered to do by the Pennsylvania PUC and provided a method of ordering the lower priced port option, such disputes would have been avoided.

28. Finally, Verizon is failing to transmit some electronic bills altogether. On July 20, 2001, WorldCom opened a trouble ticket (341140) for three bills it had not received at all. The first bill was the April 1 bill for billing account number 214199131999. Although WorldCom had previously opened a trouble ticket based on Verizon's failure to send that bill, Verizon never provided the bill. The second bill was the July 1 bill for the same billing account number. And the third bill was the May 22

bill for billing account number 2141151000999. Verizon's failure to transmit these bills, one of which should have been transmitted in July, shows that its billing systems are not yet adequate and stable.

29. The Department of Justice properly recognized the problems with Verizon's billing systems in its evaluation. Verizon should have fixed its billing systems and shown them to be ready before it applied for section 271 authority. When Verizon's billing problems are coupled with Verizon's line loss problems, there can be no doubt that Verizon should fix the remaining problems and reapply.

CONCLUSION

30. This concludes my reply declaration on behalf of WorldCom.

I declare under penalty of perjury that the foregoing Declaration on behalf of WorldCom, Inc is true and correct.

Sherry Lichtenberg

Sherry Lichtenberg

Executed on: 7 August 2001

TAB B

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Application by Verizon	)	
for Authorization to Provide In-Region,	)	CC Docket No. 01-138
InterLATA Services in Pennsylvania	)	
	)	

**REPLY DECLARATION OF VIJETHA HUFFMAN
ON BEHALF OF WORLDCOM, INC.**

Based on my personal knowledge and on information learned in the course of my duties, I, Vijetha Huffman, declare as follows:

1. My name is Vijetha Huffman. I am Senior Manager of Local Business Development for the Mass Markets Division of WorldCom. I am responsible for financial planning, operational and business analysis, and new market development in support of WorldCom's entry into the residential local business. This includes evaluating the financial viability of providing residential local service in markets that WorldCom has not yet entered and determining price changes necessary for WorldCom to enter. I have worked for WorldCom (and its predecessor MCI) for 6 years in a number of finance positions.

2. The purpose of my declaration is to explain why local service is critical to WorldCom's business plans for the residential market and how Pennsylvania's network element pricing prevents limits the development of statewide competition.

I. WORLDCOM'S MARKET ENTRY IN PENNSYLVANIA VIA UNE-P

3. WorldCom has entered the Pennsylvania market and is serving residential customers in parts of the state via UNE-P. But WorldCom is not marketing to residential customers throughout the state because of Verizon's high prices for UNEs.

4. WorldCom wants to offer customers throughout Pennsylvania a package of services that includes local service. A strong local presence is essential to WorldCom's competitive success in providing service to residential customers. Many residential customers are seeking fully integrated telecommunications services, including local, long distance, and Internet access. Customers also seek the opportunity to benefit from new and innovative products and to save money on their telephone bills. Thus, the ability to profitably offer integrated products is critical to WorldCom's plans to respond to the needs of its existing long distance customer base and to attract new customers.

5. UNE-P, the combination of all unbundled elements necessary to provide local service, is the only service-entry vehicle that WorldCom uses to offer local residential service, and it is the only service-delivery option that WorldCom currently views as even potentially viable. The UNE-P mode of entry provides WorldCom with greater flexibility than resale to offer innovative products and permits much faster and more pervasive market-entry than a pure facilities-based offering. Moreover, when UNE prices are truly set at cost-based rates, CLECs generally can compete profitably with the ILECs. Where barriers to entry such as anti-competitive pricing and discriminatory OSS are eliminated, WorldCom will use UNE-P to enter residential markets. As noted above, WorldCom has already entered Pennsylvania and is marketing to customers in parts of the state despite Verizon's above cost rates. But in other parts of the state, Verizon's

rates are too high to permit WorldCom to make a profit and thus WorldCom is not marketing to customers.

II. UNE PRICING IN PENNSYLVANIA

6. WorldCom generally will not sell goods or services unless it believes it can do so profitably. Selling residential service profitably throughout Pennsylvania using Verizon's facilities currently is not feasible for competitive carriers, including WorldCom.

7. As seen in the Attachment hereto, there are six "cells," or zones, in Pennsylvania. These zones range from urban to rural. The table in the Attachment demonstrates the monthly revenue a carrier would receive if it provided basic local service with one feature at the same retail price Verizon charges, and then subtracts from that revenue the "telco" costs, or, in other words, the costs of the leased unbundled network elements. From that amount, i.e., the gross margin, a carrier must then cover its own internal costs. Internal costs typically include marketing costs, customer service costs, costs associated with customers who don't pay their bills, and other operational costs, and exceed $10 per line per month.

8. In some areas, a CLEC selling local residential service for the same price as Verizon would not make nearly enough money to pay for the cost of the elements it leases to provide the service and its own internal costs. For example, in the most rural zone, which contains almost 1/3 of the households in the state, the gross margin between a CLEC's revenues and telco costs using UNE-P would be $0.14 per/line/month. Clearly, a $0.14 margin is insufficient to cover a company's own internal costs. Similar problems exist in other zones.

9. As discussed in WorldCom's opening comments in this proceeding, the pricing methodology used to set the rates in Pennsylvania is an embedded cost methodology that has led to high rates that do not support statewide competition. The loop rates are especially high, particularly in the most rural zone of the state, which, again, contains nearly 1/3 of the Pennsylvania population. Verizon's loop rates in Pennsylvania vastly exceed cost-based rates based on a proper TELRIC model. Verizon's switching rates in Pennsylvania also are problematic. Verizon overstated its switching costs by relying on its own embedded costs rather than forward-looking costs.

10. To achieve irreversible, ubiquitous residential competition throughout Pennsylvania, Verizon must establish prices that allow competitors to gain a customer without losing money. The absence of proper pricing is a missed opportunity to bring ongoing competition to all Pennsylvania residents.

11. This concludes my declaration on behalf of WorldCom.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on August 3, 2001.